
Organizations help local businesses get cash

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All too often, new entrepreneurs are forced to relinquish their dreams because they lack one necessity: a sustained source of cold, hard cash. Many novice business owners find themselves overwhelmed by the financial burden of up-front expenses. Prototypes, equipment, manufacturing, marketing and business space all require substantial investments. And many conventional funding organizations are wary of the financial risks of a new enterprise.

So, where do Mid-Columbia small businesses go when they need capital? The Tri-Cities has a flexible network of financing sources that is unusually robust for an area of our size. Some 15 of these organizations specifically serve local small businesses and entrepreneurs. The combined total represents about \$20 million available for investment in new and expanding businesses.

Pasco resident Tere Thornhill, who owns Terence L. Thornhill Architect Inc. P.S., benefited from one of these financing resources, the Tri-Cities Enterprise Association (TEA). In 1994, Thornhill realized that his fledgling architectural business lacked a critical piece of equipment: a computer plotter for printing architectural drawings. Thornhill and his wife had exhausted their personal savings to start the company and had not yet established the financial business track record required for a bank loan.

TEA president Dallas Breamer walked Thornhill through the loan application process, including developing the firm's profit and loss statements and listing projected work to establish the potential to pay off the loan. Thornhill put his car up as collateral.

"The \$10,000 loan through TEA enabled me to buy the plotter and a blueline printer, which dramatically improved our company's efficiency and customer responsiveness," Thornhill said. Thornhill paid back the loan in two years – and kept the car, which he still drives. Today, the firm employs four staff architects and is among the leaders in the Tri-Cities architectural community.

TEA's microloans range from \$500 to \$25,000. Clients pay a \$100 fee for TEA's assistance, plus interest on the loan.

TEA offers several other financing options of up to \$50,000, including deferred rent for qualified candidates. According to TEA Microloan Manager Cris Gamache, TEA financing programs have invested \$770,000 in 60 local businesses since 1993. The TEA is one of many Tri-Cities organizations that offer business capital to build and diversify the local economy. Many of these groups tap into federal funds, including Department of Energy community transition grant funds, designed to recruit and build small businesses.

The Benton-Franklin Council of Governments, for example, focuses its loan assistance on creating jobs and leveraging private capital in the region, according to

Tom DiDomenico, the Council's Economic and Community Development Manager. Under three different loan programs, the Council provides capital ranging from \$10,000 to \$250,000.

The Council has invested \$6 million in 70 local businesses since 1986, resulting in 575 new or retained jobs, according to Beverly Johnson, Contract Administrator for the Council. These loans were leveraged for another \$16.5 million from other sources.

In today's competitive economic environment, traditional lending sources such as banks are increasing their small business outreach. Explained Eric Pearson, Key Bank's Small Business Relationship Manager in Kennewick, "We often partner with other capital sources, including local ones, to divide up a loan and limit risk." The U.S. Small Business Association will guarantee a portion of a bank's loan for qualifying candidates.

Equity-investing, where a company agrees to share its future in return for up-front cash, is an alternative to the debt required by loans. Columbia Basin Ventures Limited Liability Company (CBV), a Kennewick-based private venture capital firm, has invested \$475,000 in two local companies since 1996 and is negotiating deals with several more. CBV invests by owning a share of the company. They may also assist with management, technical and market resources.

Another source of private funding is the so-called "angel" investor. These high-net-worth individuals typically invest their own money in high-return enterprises such as computers, biotechnology and telecommunications. They typically keep a low profile to avoid being deluged with requests for money.

How can businesses tap into venture capital and angel networks? In addition to personal contacts, CBV President James Shipley recommends two publications: the annually updated reference volume Pratt's Guide to Venture Capital Sources and the 1996 book, Finding Your Wings: How to Locate Private Investors to Fund Your Venture.